

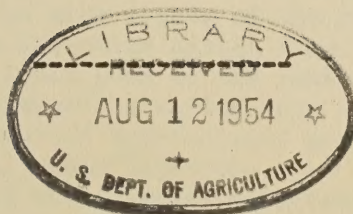
UNITED STATES DEPARTMENT OF AGRICULTURE
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THE ECONOMIC SITUATION WHICH LED TO THE FIVE
NATIONAL PROGRAMS AFFECTING AGRICULTURE

By

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THE ECONOMIC SITUATION WHICH LED TO THE FIVE
NATIONAL PROGRAMS AFFECTING AGRICULTURE 1/

Introduction 2/

Put yourself in the place of the leader, the man who has to make decisions. As the leader, the man with responsibility, the man who must make decisions, you are confronted with the conditions existing in the United States in 1932. What will you do? Undoubtedly you will call before you the men who are authorities on various economic problems and obtain from them what facts and remedies they will offer to meet this drastic situation.

I shall appear before you as a number of these authorities. In each case I shall give you what I consider the pertinent information, believing that I know the causes of the trouble and can suggest a remedy, or at least something which will be helpful.

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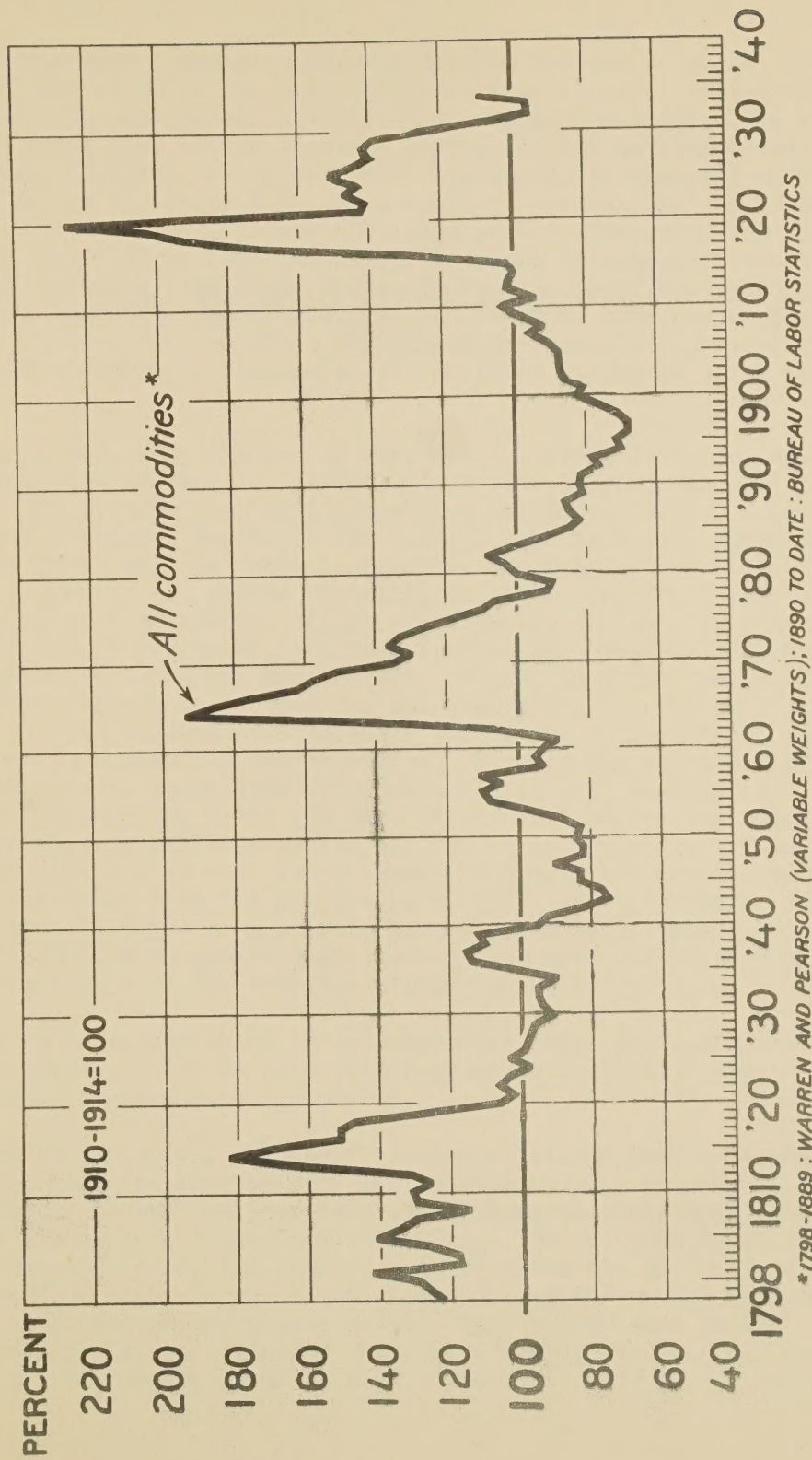
You, as the leader, have called me, as an authority, to place before you my program 3/ for meeting the economic distress in which the Nation finds itself. I say to you, Mr. Leader, I am glad of this opportunity to place before you what my colleagues and I believe to be the key problems which must be faced before we can expect recovery. We have been studying this for a long time, have been gathering facts, and believe this is authoritative. To us it shows the cause and therefore the means of remedying the conditions in which we find ourselves.

I know that you are well acquainted with what we call the "general price level", but in your tremendously busy, rushing life, let me take a moment and review for you just what the general price level means.

(CHART I)

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- 1/ This talk was developed as a result of a request from Director J. E. Carrigan of the Vermont Extension Service. Director Carrigan felt that it would be of great help to the extension workers in Vermont if they could get in one talk the high lights of the reasoning back of the principal national programs affecting agriculture. Thus the attempt is made to give in one talk at least some of the reasoning upon which the five programs of greatest interest to agriculture are based, namely: Monetary reform, adjustment of agricultural production, farm credit, land planning, and rural rehabilitation.
 - 2/ Since the talk is filled with factual material, a method of presentation which has helped to maintain interest in actual presentation has been kept. No responsibility is taken for any of the views represented herein. The talk attempts to be an accurate reflector of the thinking back of the proposals that have been advanced by leaders of agricultural and economic thought.
 - 3/ The material presented and the program indicated in this section are based upon the work of a group of men of whom Dr. G. F. Warren and Dr. F. A. Pearson of Cornell University are outstanding.

Wholesale Price Index Numbers of All Commodities 1798 to Date



Some men have described economics as the science of price, and it seems to us that price is the heart of economics. If one understands this single line, showing the trend of the general price level, he can see in it a great deal of the economic history of the United States. It should be kept in mind, Mr. Leader, that everything is compared with the last years before the World War, the so-called "base period" of 1910 to 1914, inclusive. You will notice that this period lies along the one hundred, or "base" line. Everything on the chart is compared with this base, or 100 percent. The line represents the result of the price movements of more than 700 commodities. At any one time some may be tending to rise in price, others to fall, and others to remain stationary, but the line is the composite picture of all of these different price movements.

Back in the early history of our country, about 1800, prices were high as compared with the base period, above 160. During the period of the war of 1812, prices rose with tremendous rapidity, reached a peak, came crashing downward, hesitated for a while, and then fell again with great rapidity. I will not stop to describe the interesting history between this point and the period beginning in 1861. The Civil War was accompanied by another sharply rising price level, a high peak of prices, a crash downward, a hesitancy, and then another long decline very much like that which followed the war of 1812. Prices then followed a generally downward movement until they reached that extremely low point in the depression of 1893 to 1896 when corn was burned for fuel on farms and agriculture was in a most serious condition. Many of the older men of today still recall the conditions which accompanied that depression. Prices then rose rapidly until the base period just before the World War. This was immediately followed by the sky-rocketing price level accompanying the war, the peak of over 220 following the war, the crash downward which was associated with the depression of 1921, and then the period of relative stability which we now look upon as a period of great prosperity. Since that period prices again have fallen with startling rapidity and with this have come the terrific effects which we now face.

This is important since these tremendous price changes upset all human relationships. Let me give you just two definite illustrations of how these price changes affect everyone.

I was in one of our important industrial cities just following the World War and everyone in that city was talking about a man whom I shall call Mr. Blank. He was the president of the largest concern in that city. He had been a poor boy, starting with nothing. He was then reputed to be worth 91 million dollars, and everyone always added the one million. The city was proud of him. He was a symbol of success and no one seemed to tire of telling what he had accomplished. Only a few years later, in the period of falling prices following the peak of 1920, the same man was thrown out of the company of which he was president. He was no longer a

great industrial leader. Now he was no less a great business man in 1921 than he had been in 1918 and 1919. It was one thing for a corporation to purchase supplies on a rapidly rising price level, hold them while they were being manufactured and then sell the finished product at a higher price level. Everything in such a situation tended to insure profits. It was quite a different thing to have large inventories, to process these inventories and then sell them at a much lower price level than existed at the time of purchase. Everything in this situation tended to eliminate profits. Mr. Blank was the victim of a change in prices over which he, as an individual, had no control. The change in price levels had first made him a business hero and then had crushed him.

One other illustration: I remember being in a city in which I was a newcomer. With me at a dinner table were three people, all of whom had spent their lives in that region. They fell to discussing, as we all do, friends they had known in common. They began to talk about a girl who had been a classmate of theirs in college. Their comments were something like this: What a lively, interesting person she was in school; how hopeful and progressive her outlook was; how everyone had found her a person they liked to associate with; and then they agreed that life seemed to have beaten this girl. I could not but inquire what the circumstances were and this was the situation. The young woman had married one of the boys in her class. Between them they had a few hundred dollars. They had gone into a nearby farming region which had an excellent reputation as such, and had purchased a farm, investing in it all that they had. This purchase was made in either 1919 or 1920. Then came the drastic break in prices. Everything which they had was wiped out, the farm was taken from them, and, through no fault of their own, they were much worse off than when they started. They also were the victims of a change in price levels.

These are only two illustrations, Mr. Leader, but I think they will serve to show you that these price changes do affect all human beings. Think of the relationship between debtor and creditor when prices fall precipitously. Business has to move forward, credit has to be used and thus debts assumed. This Nation had become adjusted to a price level of about 150 in the so-called prosperous years. Now prices have fallen more than one-third. This means that most debt burdens are impossible of repayment. In order to pay back the same dollar of indebtedness, a debtor must do fully a third more work than was necessary at the time that the contract was assumed. The farmer must produce and sell four cans of milk where three would have paid off the same indebtedness had prices remained at the same level. All debts are difficult to repay, but under such a situation, they are impossible of repayment. Business becomes stagnated, and the Nation cannot go ahead unless this price disparity is recognized and is met.

I have repeated that all human relationships are dislocated. I am particularly interested in agriculture and here (CHART II) is what I believe to be one of the serious effects of this price change. In 1910 to 1914 the level of prices which farmers received for farm products and the level of prices which they had to pay for services and charges were together; both of them on the one-hundred, or base line. As prices rose, farm prices rose relatively faster and agriculture was prosperous; but when prices fell, the prices for farm products fell faster and further than did the costs of the services and charges which farmers had to pay. Thus, since 1921, agriculture has been in difficulty because of this price dislocation. Proof of this is found in proposed national legislation during these years. Bill after bill, proposal after proposal, attempt after attempt was made to do something for agriculture. You will remember that the McNary-Haugen bill twice passed Congress and was twice vetoed. The Federal Farm Board was established. Now go back to the chart. Since 1929 the gap between these two lines has widened again and agriculture is knocking at the door for help.

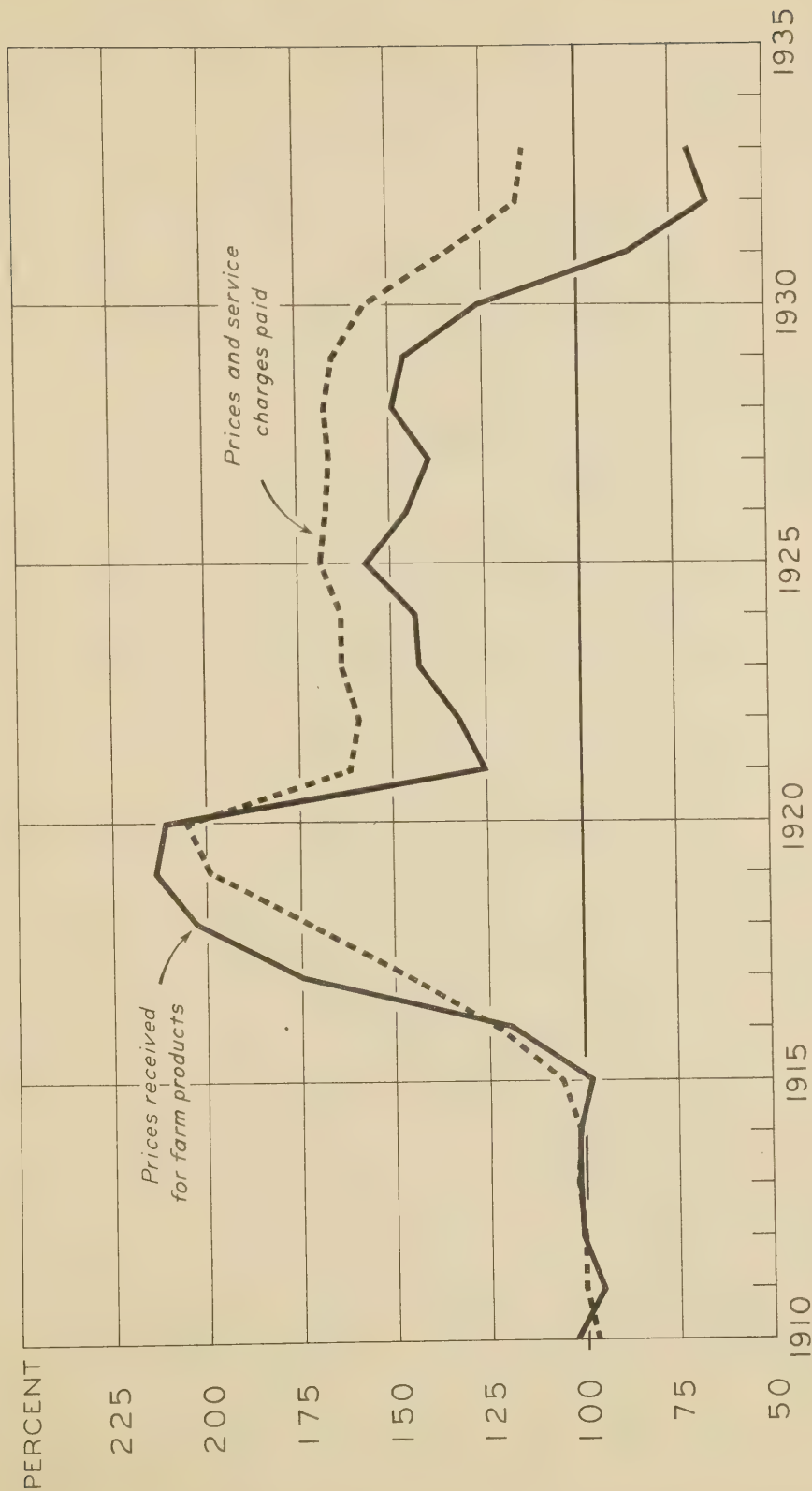
We believe, Mr. Leader, that one of the things which is always associated with great price changes, is that certain groups of prices do not move in sympathy with others. Here (CHART III) are shown the costs of distributing food. In the base period, all of which is not shown on the chart, the costs of distributing food were 100. See how rapidly it rose during the war period, reaching a peak of more than 200. It dropped only slightly in the depression of 1921 and during the so-called prosperous days it again reached practically 200. To be sure, it has dropped during the depression, but it is still far above 100, its level before the World War.

We believe that supply and demand factors tend to set prices at the point where the consumer buys. In general, the farmers receive this price, less the cost of distributing products from the farm to the consumer. This means that the higher costs of distribution tend to lower farm price. When you consider that prices have been falling rapidly and costs of distribution have been relatively high, it is easy to see one reason why agriculture has been in a serious situation. Raising the general price level will tend to minimize the importance of the maladjustment of these prices which have remained high as compared with the basic commodity prices which have fallen so drastically.

The general belief is that the great drop in prices since the latter part of 1929 has been due to an overproduction of all commodities. We do not believe that this is correct and these are the facts on which we base this belief. (CHART IV) On this chart is shown the trend of the physical volume of production from 1880 practically up to date. From 1880 until the time of the World War, this trend shows an increase and the rate of increase became greater during the later years. This increase was due to two things: First, an increase in population, and second, better standards of living. With the beginning of the World War the physical volume of production fell off and did not keep pace with

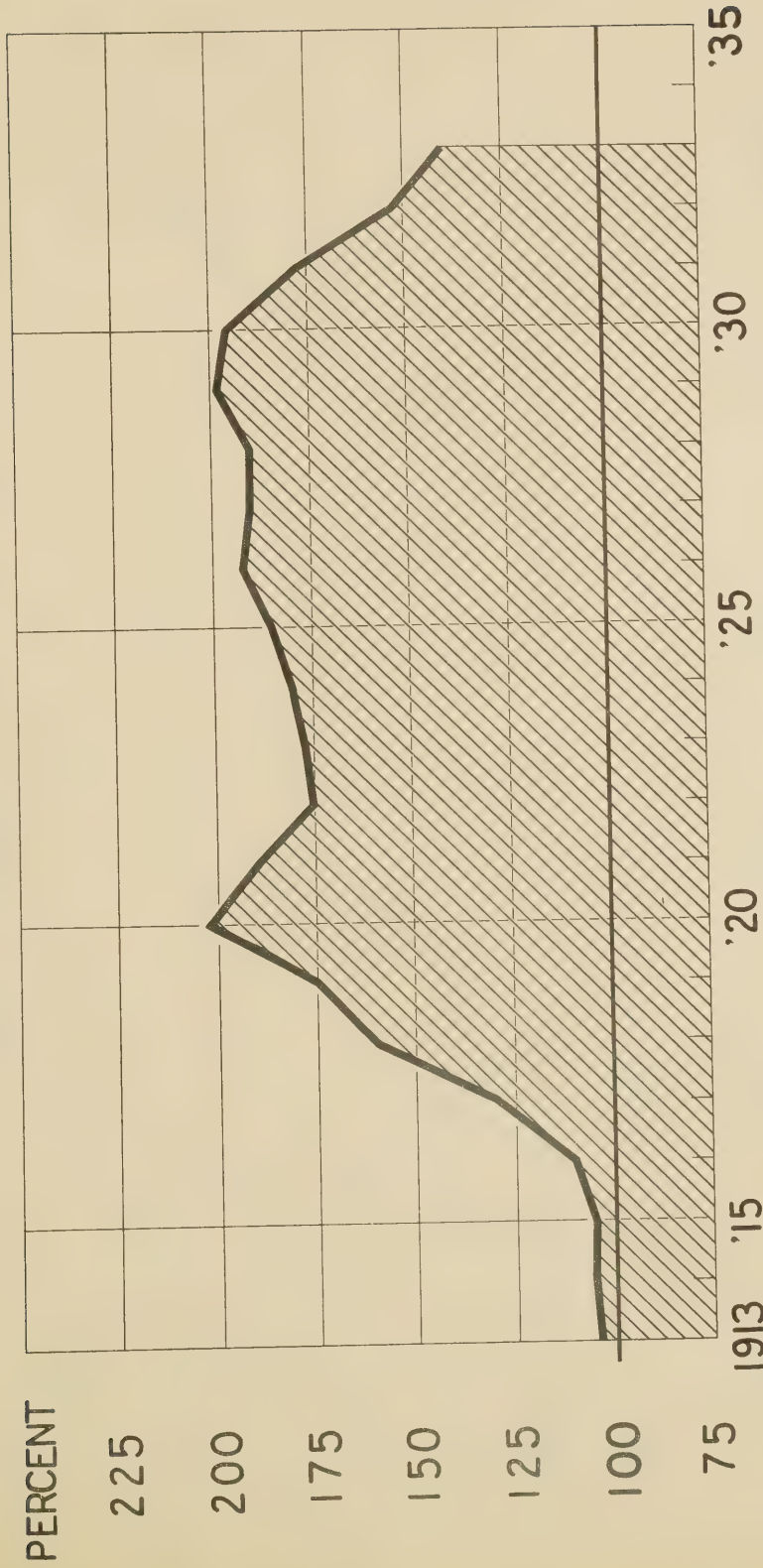
PRICES RECEIVED, AND PRICES, WAGES, INTEREST, AND TAXES PAID BY FARMERS, 1910 TO DATE

INDEX NUMBERS (1910-1914=100)



COST OF DISTRIBUTING FOOD

INDEX NUMBERS (1910-1914 = 100)



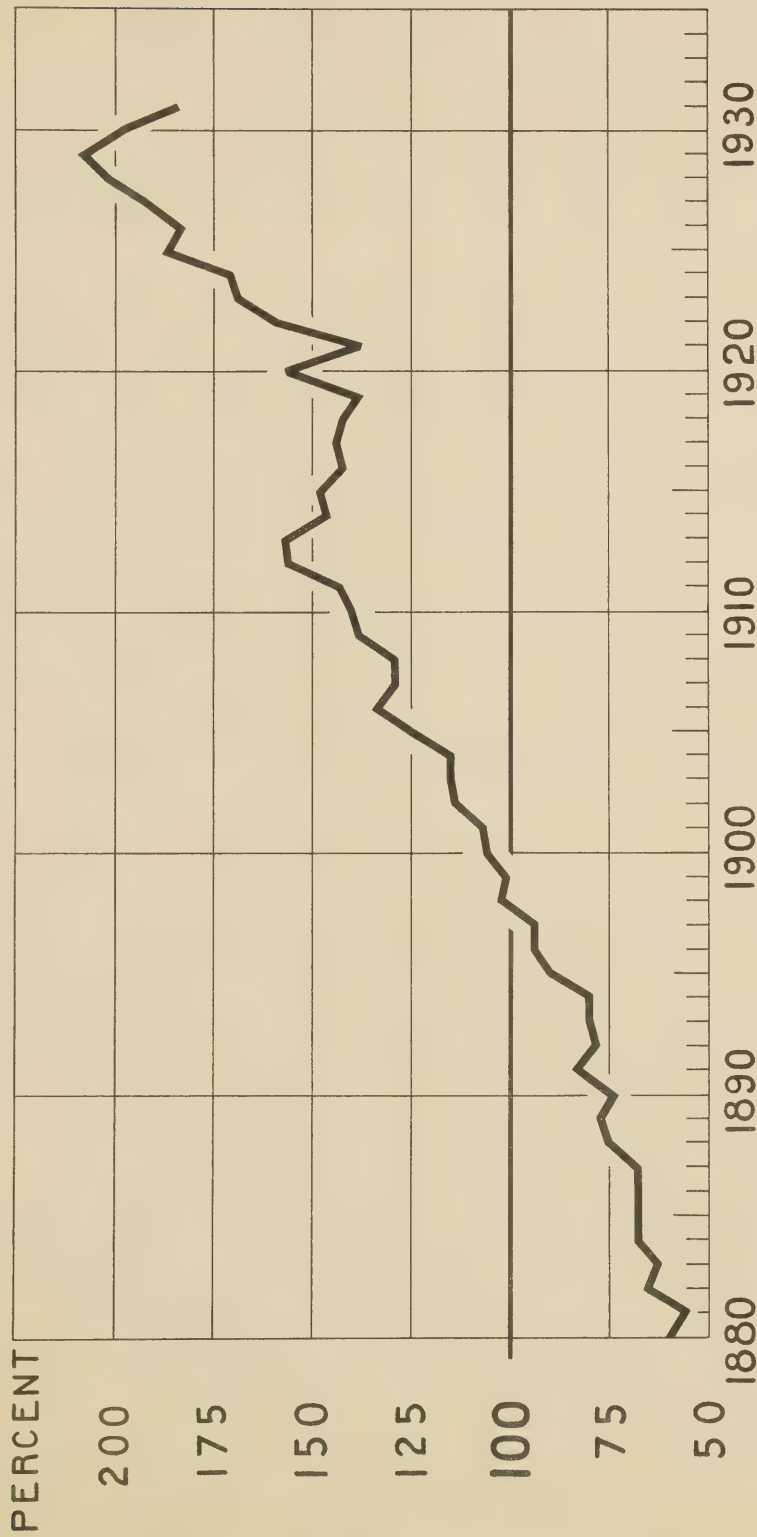
B. A. E. EXTENSION

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INDEX NUMBERS OF THE WORLD'S PHYSICAL VOLUME OF PRODUCTION

INDEX NUMBERS (1880-1914=100)



U.S. DEPARTMENT OF AGRICULTURE

NEG. EX. 40

B.A.E. EXTENSION

the trend which might have been expected. When the best young men are busy killing one another, or making things with which to kill one another, the volume of production of other goods is sure to be reduced. On the basis of the trend that might have been expected from past history, the physical volume of production had about reached normal when this depression began. During the depression production has been markedly curtailed. Thus, we feel that there is no proof of over-production, and that this great fall in prices must be associated with something else. These figures have been checked by other scientists working independently. They have drawn the same conclusion.

Naturally you wish to know the cause of this price drop which has thrown the whole country into confusion. Our studies indicate that these great price changes are associated with the supply of and demand for gold. The facts lead us to believe that as long as the country remains on the gold standard the supply of and demand for gold will, over any considerable period of time, be a dominant factor in the trend of prices. This line (CHART V) tends to measure the combined forces of the supply of and demand for gold. It shows the trend of the ratio between these two factors. The important thing is that from 1880 up until the time of the World War, the general price level was closely associated with this trend. It was not until the war when practically every nation in the World left the gold standard that wholesale prices left this ratio line. We have steadily contended that as the World came back on the gold standard, eventually these two lines must come back to their old relationship. And, Mr. Leader, just to clinch the argument, the only economists who were right in their long-time predictions of price levels in the years just after the World War, were those who predicted that prices would come back to their old relationship with the supply of and demand for gold.

And so we believe that you must do something to change the relationship of our American dollar to the supply of and demand for gold if you are to raise prices, and raising prices is absolutely essential to recovery. If this country will leave the gold standard, if it will reduce the number of grains of gold which represent a dollar, or if it will raise the currency prices of gold, the relationship of our price structure to the supply of and demand for gold will be changed. One of these three things, or something similar, must be done before prices can be brought back to their former level. The only alternative appears to be wild inflation.

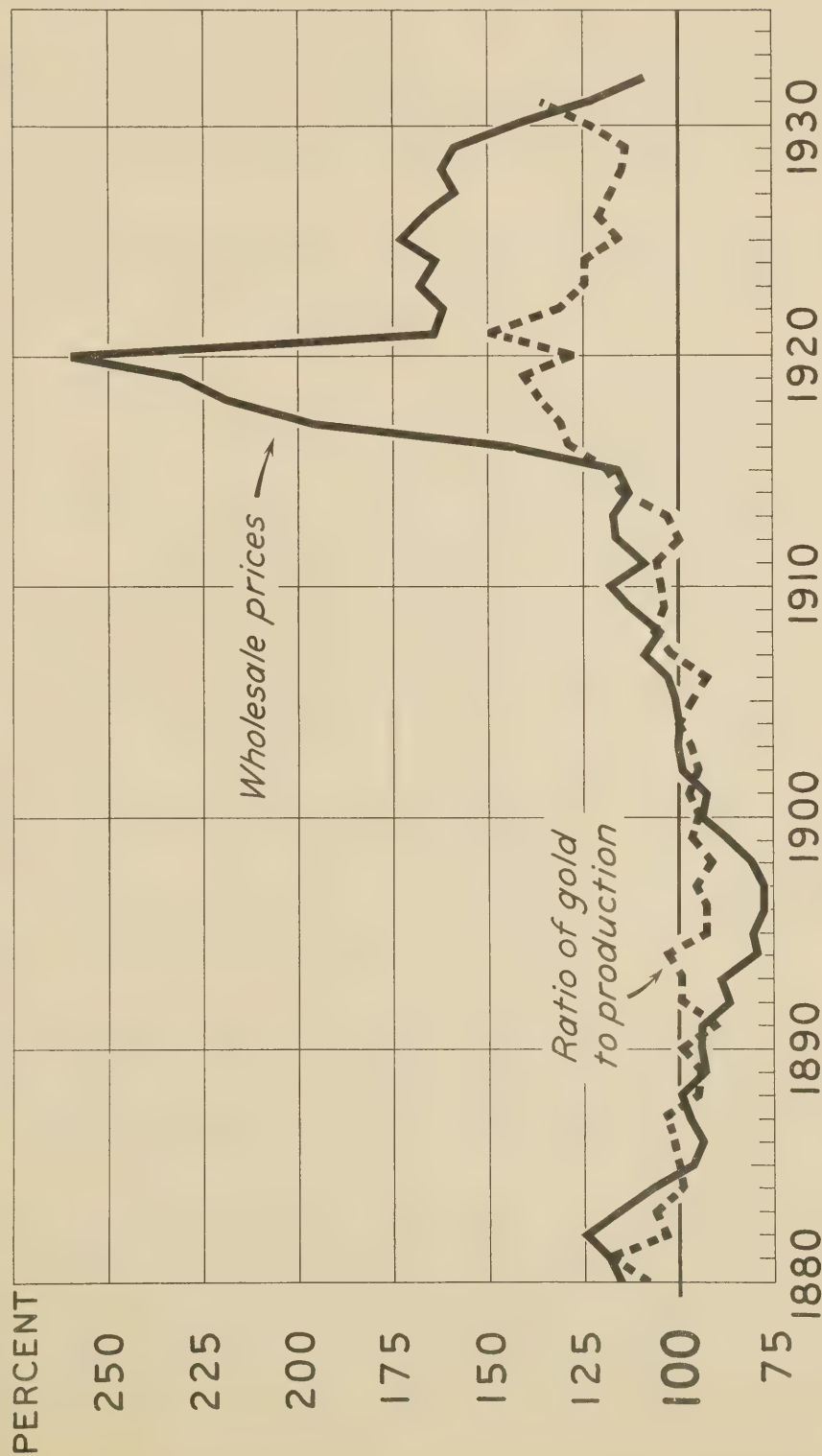
Mr. Leader, I have appreciated this opportunity of presenting our work to you and our program for benefiting the United States in this time of crisis. We hope you will study it carefully and that it will prove of real value to you in the tremendous responsibility which you are carrying.

I take my hat and leave you as the first expert.

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RATIO OF WORLD'S MONETARY STOCKS OF GOLD TO THE WORLD'S PHYSICAL VOLUME OF PRODUCTION COMPARED WITH WHOLESALE PRICES IN GOLD IN THE UNITED STATES, 1880 - 1932

INDEX NUMBERS (1880-1914 = 100)



II.

And now, I appear before you as the second expert whom you have called for counsel.

Mr. Leader, I appreciate this opportunity of presenting to you the facts which we think are pertinent in deciding what must be done in this crisis if agriculture is to get back on its feet. 4/ We believe that the key to the problem is an over-production of all products, and particularly, agricultural products.

But you, as the leader say: "Wait just a minute, Mr. Expert. Have you seen these facts which indicate that there has been no over-production in the terms of what might have been called normal before the war?" (See Chart IV)

Yes, Mr. Leader, we have seen those facts, but we believe that they must be used only in connection with some other thinking. For example, in the space of what is a few years in the life of a nation, this country has changed from a rural to an industrial nation. It was not so many years ago that four persons out of every five were on farms producing agricultural products and obtaining their living from agriculture. Today approximately one person out of five is actually producing agricultural products commercially. We have become so efficient that one person can feed himself and four others. And along with this have gone other changes. The big increase in our population has been in the so-called "white-collar" classes. The people who use adding machines in banks and offices are typical. I know of a cafeteria here in Washington where from six to eight hundred white-collar workers eat their lunch every day, and I have just learned what the average lunch check is for that group of people. In spite of the high prices here in Washington, it is less than 30 cents. Do you suppose that the amount of food which can be purchased for 30 cents would have satisfied a person who had been working since daylight on a farm? No, our food habits have changed. Along with this have gone changes in our clothing habits. These same people work in heated offices and so require lighter clothing; this, in addition, of course, to the changes in fashion in women's dress. And so our clothing habits have changed.

In addition to that, we have changed our housing methods. When my father built what he called a "parlor" in his home, the room was nearly thirty feet long by sixteen feet wide. When I built a home, I called the room a "living room" and mine was twenty feet long by twelve feet wide. We think that the key to the problem is over-production.

4/ Many men have contributed to the development of the material and program indicated in this section. A few of the leaders are: Dr. W. J. Spillman (deceased) Bureau of Agricultural Economics, U.S.D.A.; Assistant Secretary of Agriculture M. L. Wilson; Dr. John D. Black of Harvard University; Mr. Chester C. Davis, Administrator, and Mr. H. R. Tolley, Assistant Administrator, A. A. A., and Dr. Mordecai Ezekiel, economic advisor to the Secretary of Agriculture.

There is another factor which seriously affects production, and that is our country's economic relationships with other countries. The United States has recently become the great creditor nation of the World, while all of our earlier experience was that of a debtor nation. We are not accustomed to this situation and we are vainly hoping that the foreign debts will be paid, that the other nations of the World will buy our exportable surpluses, and that we can continue to keep their products out by high tariffs. All three of these things cannot happen at any one time. This would call for a one-way street as far as money balances are concerned, and international trade cannot operate on a one-way street.

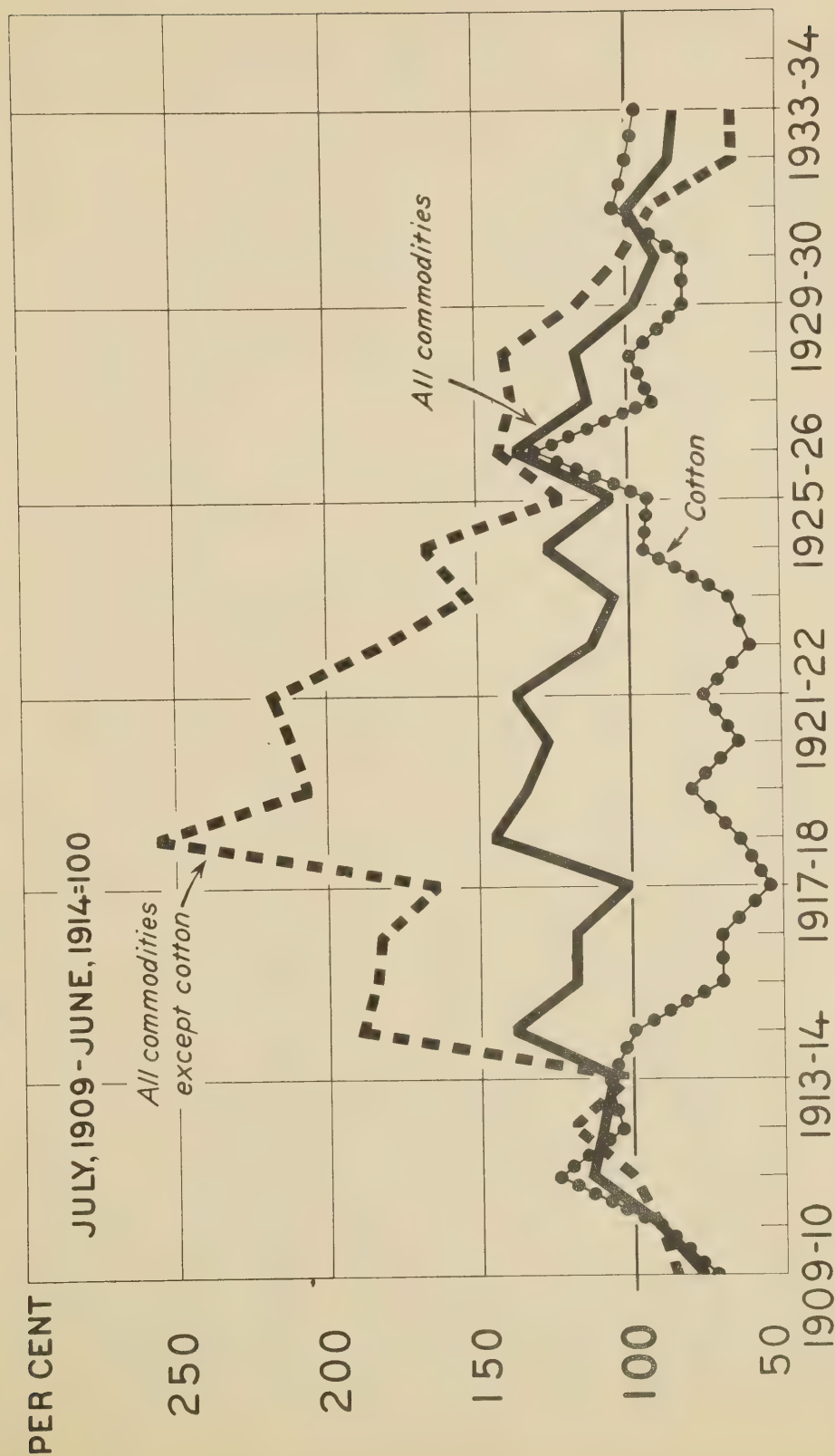
Under these conditions the export market has fallen off and we are afraid that these markets are permanently lost. This will be especially true if we succeed in getting agricultural prices in this country high enough so that farmers can make a decent living. Here are the facts: (CHART VI) Beginning in 1909 the solid black line shows the trend of all agricultural exports. There has been a reduction in these total exports since 1926. Cotton exports (the dotted line), were low during the war period. Nations engaged in war are interested in woolen goods more than cotton cloth. If we take all exports of agricultural commodities except cotton (the broken line), a peak was reached after the close of the World War and from that peak there has been a rapid decline. Today the volume of exports of these commodities has dropped to about one-fifth of what it was at the peak.

Let us look at a few of these commodities in detail. (CHART VII) Over this same period cotton and tobacco have not changed drastically. Lard exports have tended to remain fairly high but cured pork has fallen markedly from the peak which was reached during the war period. Wheat exports also have fallen to a fraction of what they were ten or eleven years ago. With fruit, the tendency for a number of years was to increase exports. But in recent years foreign nations have begun to bar our fruit on the basis of health regulations, saying that there is too much poison from spray residue or too much insect infestation. Thus, it would seem that the outlook for fruit is none too optimistic.

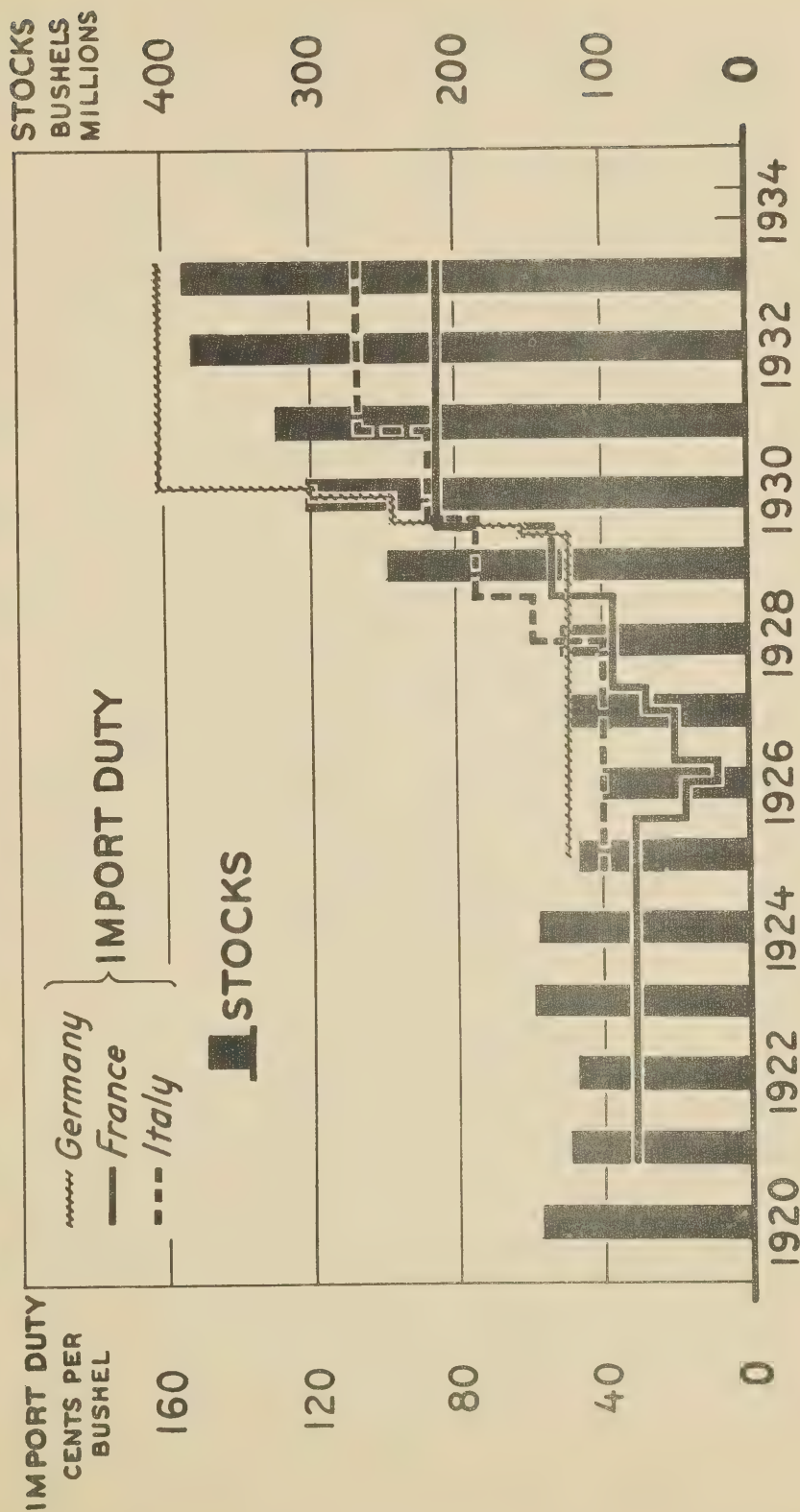
A most striking example of the effect of the policy of foreign nations is shown in the record of our wheat stocks in this country, compared with the import duties which other nations have imposed. See (CHART VIII) how Germany has rapidly raised her import duties against our wheat, to a level nearly four times what it was only a few years ago. Italy has followed suit with tremendous increases in her duties against our wheat. France has not gone to the same extreme but she has drastically raised her barriers also. Coupled with this has gone a marked increase in the stocks of wheat in this country, as shown by the black bars.

There was a conference of agricultural economists in Germany last summer. While I did not go, many of my friends did, and they reported that the economists from other countries were thinking very largely in

Volume of United States Agricultural Exports



Foreign Import Duties on Wheat, and United States Stocks of Wheat, July 1, 1920-1933



terms of self-sufficiency, of each nation producing all of its food products. I hope I can impress upon you that we are faced with the loss of a considerable part, if not all, of our foreign markets for agricultural products and that therefore some adjustment in production is necessary.

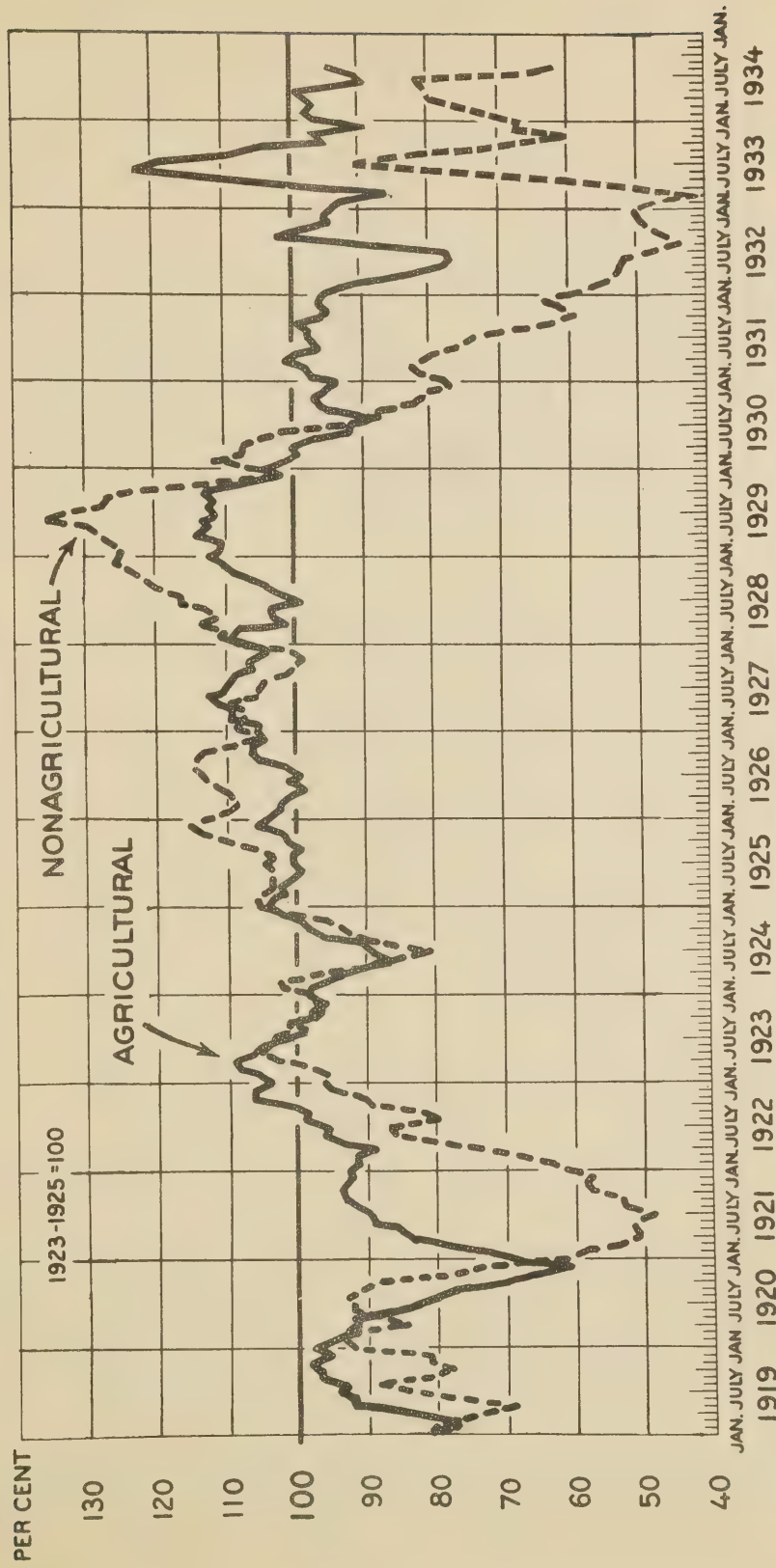
There is one other point I want to make before I leave. It is one I do not like to raise, but I think it is only right that we should face the facts. I am not satisfied with what I have to show you, but it will give you an idea of the problem. (CHART IX) The solid black line shows the production from factories using agricultural products. The broken line shows the production from factories using other than agricultural, or non-agricultural products. The point I wish to make is clearly brought out in the years since 1929. Production from factories using agricultural products has fallen little as compared with the production from factories using non-agricultural products. If we had the actual figures on agricultural production rather than the output from factories, this relationship would be more striking. The point is that industry has reduced its production. It has locked its doors, it has plowed its people into the street. Agriculture cannot do this. You cannot lock the barn door and forget about a farm. The animals must be cared for -- the farm must receive some attention or there will be no farm in a short time. Thus, industry has reduced its production and agriculture has not because of the inherent nature of the two types of business. Businessmen have raised their voices against any reduction in agricultural production, have bitterly condemned such a program, but have at the same time reduced the production in their own business in many cases 100 percent. They have done this because it was the most profitable thing, or the least costly thing for them. It seems unfair to expect agriculture to continue to produce regardless of the losses sustained. Such differences in production between industry and agriculture mean maladjustment within the country, and while we want no such adjustment in agricultural production as industrial businesses have made, we do feel that there should be a catch-step between industry and agriculture. This, it seems to us, would speed up, for the Nation as a whole, the return to prosperity.

I hope, Mr. Leader, that you will consider these things seriously. Something must be done for agriculture and we believe that adjustment of production is the key. Will you see another man who is a careful student of another phase of this same problem? I hope you can see him in the near future. Thank you very much. If I can be of any further help to you, please call on me.

And so I leave you as the second expert. Remember, you are the leader who must make decisions.

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INDEXES OF PRODUCTION IN FACTORIES USING AGRICULTURAL* AND NONAGRICULTURAL^Δ MATERIALS



* AGRICULTURAL = FEDERAL RESERVE BOARD GROUPS OF FOODS, TEXTILES, TOBACCO, LEATHER PRODUCTS TO WHICH HAS BEEN ADDED AN INDEX OF CREAMERY BUTTER PRODUCTION.

^Δ NONAGRICULTURAL = ALL OTHER GROUPS OF THE FEDERAL RESERVE BOARD INDEX OF MANUFACTURES (IRON AND STEEL; AUTOMOBILES; CEMENT, BRICK AND GLASS; NONFERROUS METALS; PETROLEUM; RUBBER TIRES; PAPER AND PRINTING.)

IIa.

Now I appear before you as another expert, a student of population problems.

Mr. Leader, I do not feel that the work I have been doing covers the whole situation, but I do believe we have something that is worth bringing to your attention. 5/ We have been studying population movements and problems for many years, and the heart of our studies bearing on the present situation is shown in one chart. (CHART X) The lower shaded area shows the trend in the number of people who are leaving cities for farms. We have found that people are always moving both ways, some leaving the cities and going to farms, others leaving the farms and going to cities. The upper black line shows the trend in numbers of persons who have been moving from farms. The area between these two lines, the lighter-shaded area, shows the net movement of people leaving farms and arriving in cities and villages.

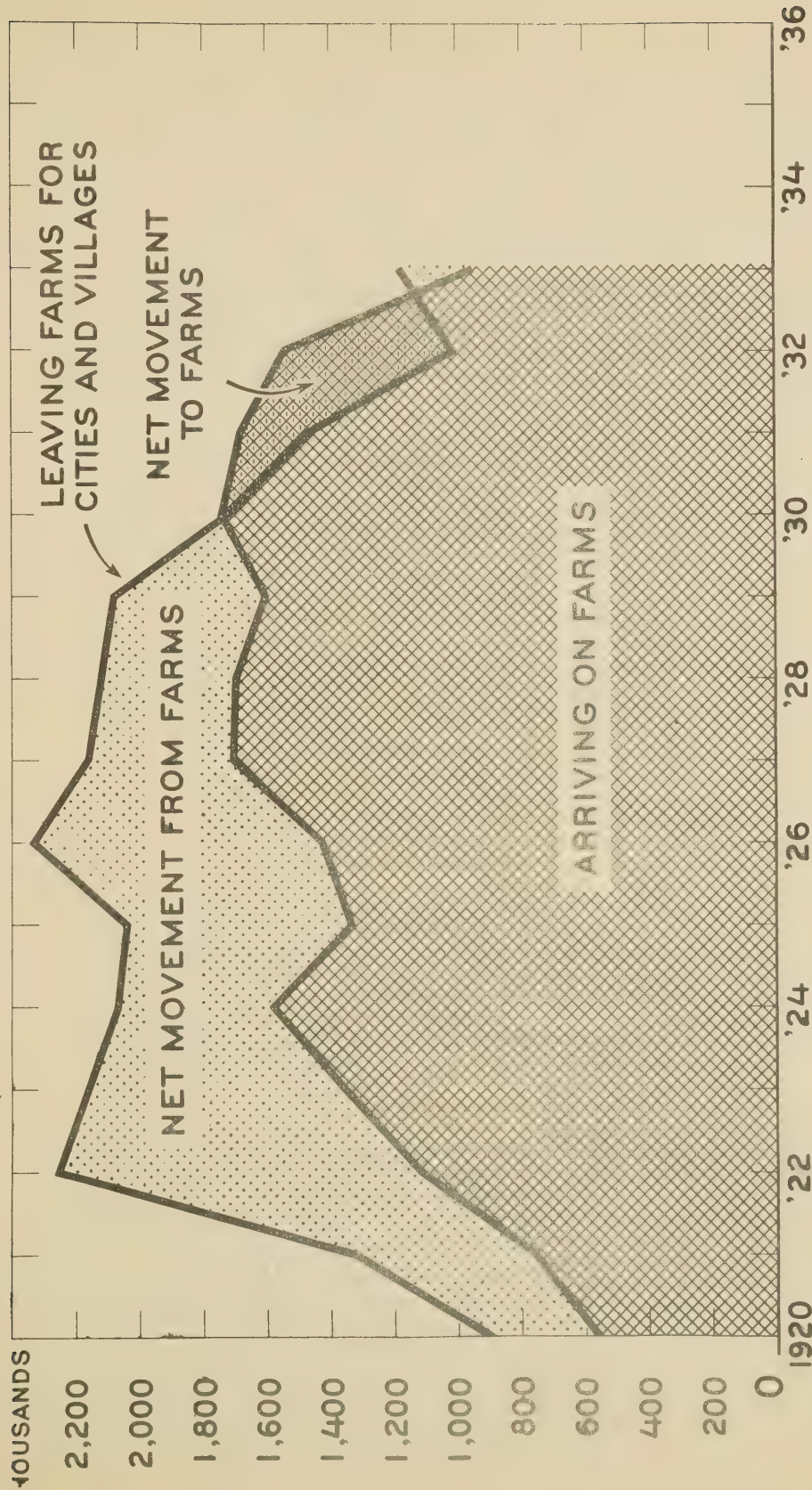
Our figures indicate that during this period a total of six million people left the farm, above the numbers which returned to farms. Further studies have shown that two-thirds of these were relatively young. These are the facts on which my story is built. We believe that these changes have brought about several important results. In the first place, there tends to be a smaller proportion of the population in cities who are in the old-age brackets and dependent upon some sort of public welfare. But, more important, we feel this represents a drain of capital assets from the farm to the city. Apply what figure you will to represent the value of the bringing-up and education which these young people received in the country, at country expense, and have taken with them to the cities. We have applied a figure, which is open to debate, but which we feel is reasonable, and on this basis the drain of assets from farm to city, during the period shown, amounted to something like fourteen billion dollars.

Associated with this is another drain of resources from the farm to the city. In many families one boy remains on the farm while the other children go to cities and villages. When the boy remaining on the farm attempts to get the farm into his own name, in most cases to settle his father's estate, he must pay off the other heirs in the estate, his brothers and sisters, who are now in cities and villages. I can think of many farms where this is so. Take one farm that I know well. There were seven heirs in addition to the man operating the farm. He attempted to pay off these other heirs in 1929 and today the bank owns the farm. Our figures indicate that about four billion additional dollars drained from the farms to the cities during this same period, due to the settlement of estates. This makes a total of eighteen billion dollars throughout the period, which approximates nearly one-fifth of the gross farm income.

5/ Dr. O. E. Baker, Bureau of Agricultural Economics, U.S.D.A., has been a leader in the field of thought developed in this section.

MOVEMENT TO AND FROM FARMS, 1920-1933

(BIRTHS AND DEATHS NOT TAKEN INTO ACCOUNT)



We believe that it is entirely possible that this continual drain of resources from the farm to the city placed agriculture in a position where it no longer had purchasing power. Agriculture became the key log in this economic jam which we call the depression. If purchasing power is returned to the farmers, we believe that recovery is almost sure to follow. This can be illustrated, Mr. Leader, by three persons representing the three main phases of our economic life. You will represent the one-third of the people who are actually on farms or whose businesses are closely associated with farming and the welfare of farmers. Your secretary can represent the third of the people who are in industrial work of all kinds, and I shall represent the third of the people who are engaged in distribution, moving both agricultural and industrial products from the farms and from the factories to consumers. As soon as you, who are primarily agricultural, cannot buy from me, then I begin to reduce my business, fire my help, and cut down my orders from your secretary, as the industrial producer. He finds his business shrinking, he reduces his help, looks his factories, and cuts his production. Thus, your lack of buying power has thrown us all into depression. And so we believe that some plan which will put money in the hands of the farm people will do a great deal toward bringing back recovery.

That is all I have to say. If we can be of any assistance to you with our facts and figures, we are at your command. Thank you very much, Mr. Leader. Good day.

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III.

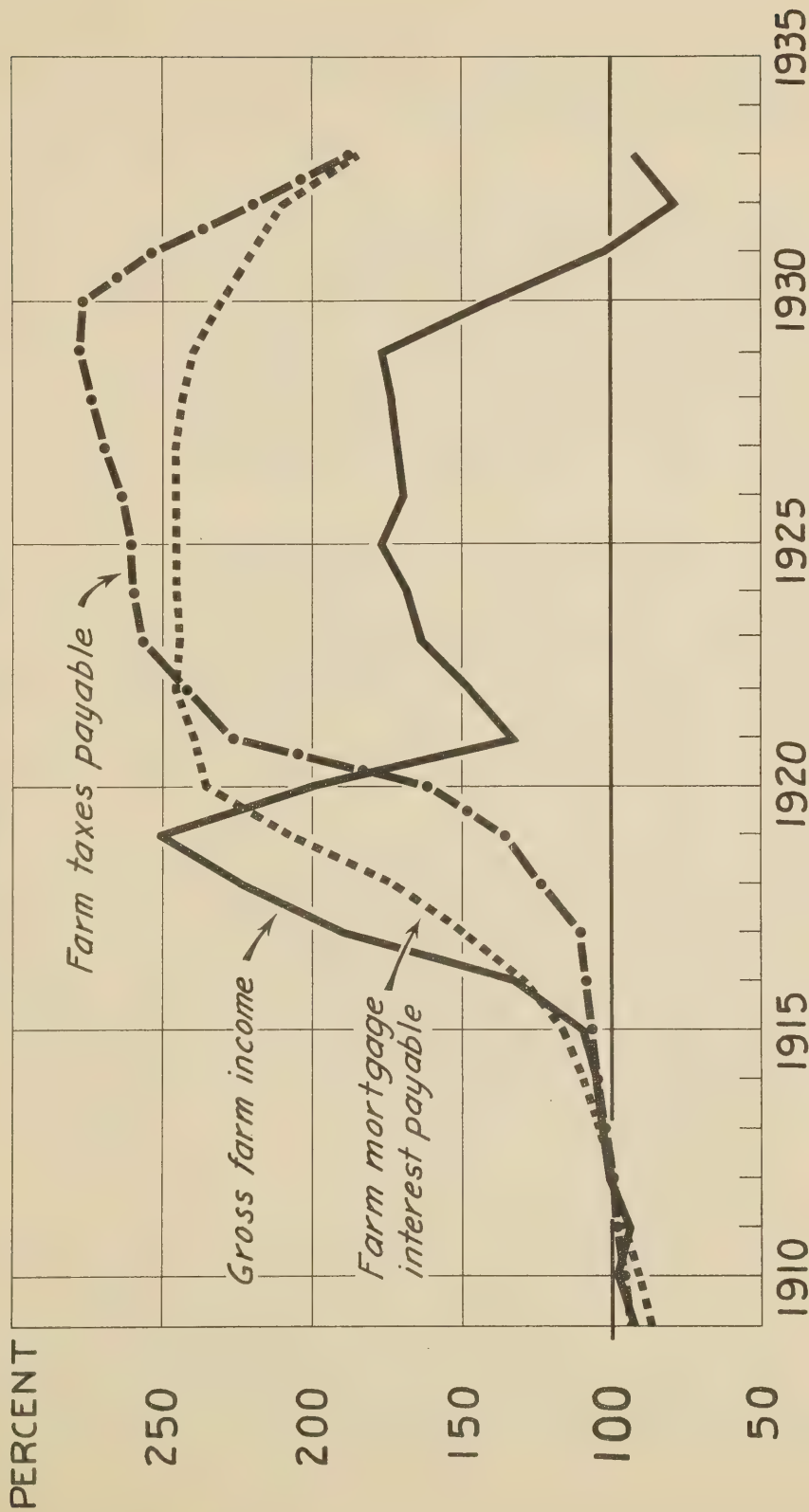
And now I appear before you as another leader of agricultural thought, and I say to you: Mr. Leader, it is fine for you to study the fundamentals of this problem and to try to bring about permanent reforms and solutions for the whole economic system, but we've got to have action now! 6/ Do you realize that even our good farmers, men on excellent farm land, are in serious financial difficulty? They must have financial assistance and they must have it now!

Let me show you some of the facts which these men are facing and which have brought about this condition. On this chart (CHART XI) the solid black line shows the trend of farm income in the United States. The line of dots and dashes shows the farm taxes payable, while the farm mortgage interest payable is shown by the broken line. The point I want to drive home is that while in the base period these were on the same level, since 1920 farm income has been far below these overhead costs for agriculture. During the depression, all three factors have fallen, but the gap between farm income and these two costs has widened considerably.

6/ Secretary of the Treasury, Henry Morgenthau, Jr., and Governor W. I. Myers, Farm Credit Administration, have been leaders in the development of the program indicated in this section.

GROSS FARM INCOME, FARM TAXES, AND FARM MORTGAGE INTEREST, 1909-1933

INDEX NUMBERS (1910-1914=100)



This results in an impossible situation and something must be done now to save our best farmers. Our most conservative people, our farmers, are in such a condition that they will all be joining holiday movements and other movements which we believe will be more harmful to the national welfare than the situation to be corrected.

If you are not impressed with this, just look what has happened to farm bankruptcies. (CHART XII) See what a tremendous rise there was in the early years of this long agricultural depression through which we have been passing. To be sure, there was some drop during the so-called good period, but now these bankruptcies are mounting again. And, remember, no one has wanted to own these farms. Banks, insurance companies, and other agencies holding mortgages would rather have the farmers continue to operate these farms than to have them thrown on their hands. Everything possible has been done by most farm mortgage holders to reduce these bankruptcies, but in spite of that our best knowledge shows that they have been rapidly increasing.

I do not want to take too much of your time, but look at the national picture for a moment. (CHART XIII) Compare the trend of forced sales of farms with voluntary sales. In the great agricultural region of the Central West, forced sales have reached the point where they are about seven times voluntary sales and even in the Northeast where we think agriculture has been least harmed, forced sales are more common than voluntary sales. In the lower left hand corner is the summary for the United States as a whole. The forced sales are much higher than voluntary sales. We must have a program now which will alleviate this financial distress.

The thing that I believe we need most is a credit system which is geared to the needs of agriculture rather than being based upon the needs of industry and commerce. Commercial banks want sixty and ninety day paper, which is of little help with any agricultural crop. Most farm mortgages are now looked upon as frozen assets. The thing for you to do, and do immediately, is to put in the hands of agriculture a credit system which will help save these farmers. We do not want our steady, conservative farm population to be forced into the position of demanding and putting into action radical policies. I think you can see the difficulty. It seems to me our path is clear and I hope you will act immediately. Thank you, and good day.

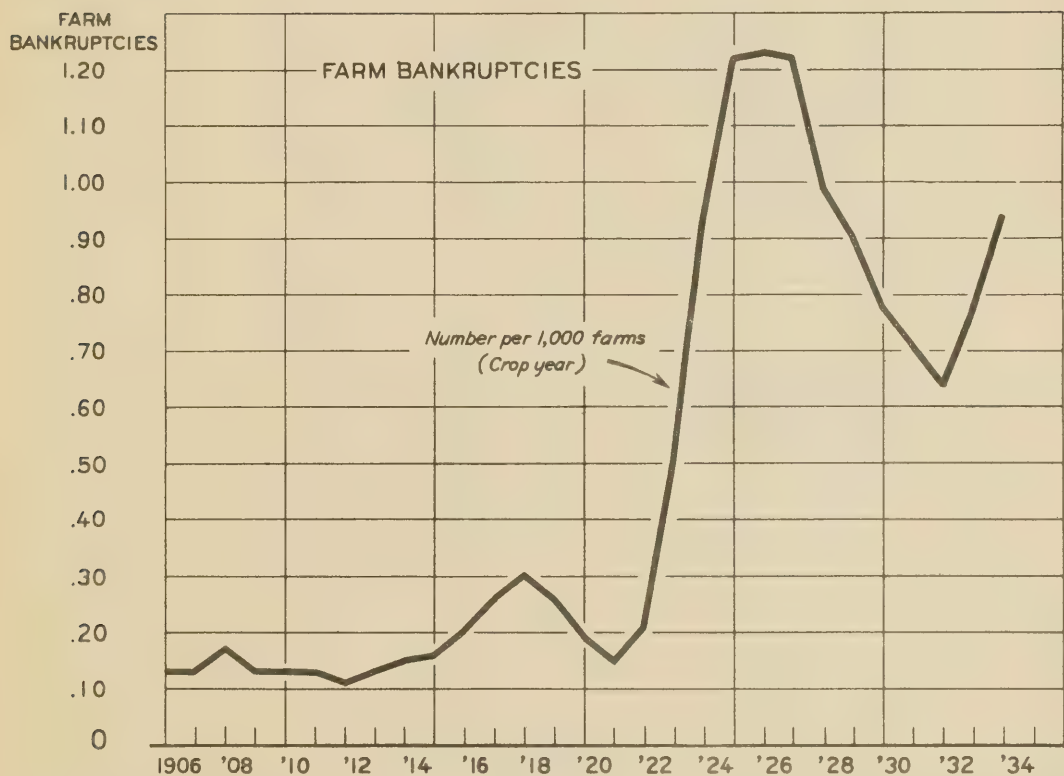
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IV.

Now I appear before you as still another expert.

I say: Mr. Leader, the thing which I want to call to your attention is not an immediate solution of our present pressing difficulties.

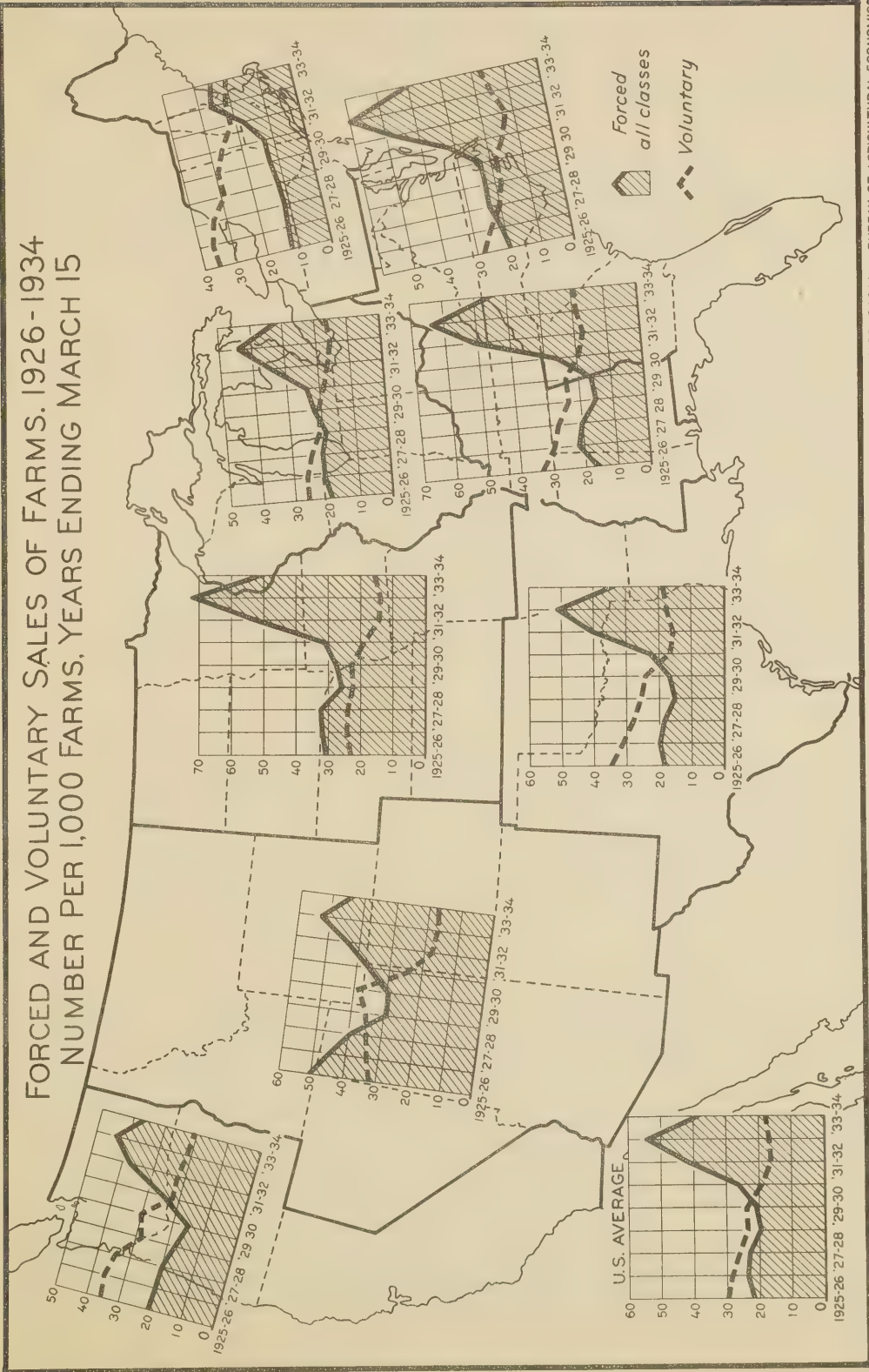
FARM BANKRUPTCIES IN THE UNITED STATES 1906-1933



U. S. DEPARTMENT OF AGRICULTURE

NEG. 15866 BUREAU OF AGRICULTURAL ECONOMICS

FORCED AND VOLUNTARY SALES OF FARMS. 1926-1934 NUMBER PER 1,000 FARMS, YEARS ENDING MARCH 15



We think it can have some effect rather quickly, but we feel absolutely certain that if we are to regain and then continue to have prosperity, we need an intelligent policy affecting the most basic of all our resources -- land. 7/

The United States Department of agriculture has made some careful studies of farm land and the experts working on this have arrived at the conclusion that about 40 percent of the land in farms in some areas is of such a nature that it holds no possibility of returning the costs of producing crops on it. And yet people are striving year after year to do so.

I can best illustrate our problem by taking the results of some very detailed studies in a northeastern State where this problem has been given much attention. Here are the figures (CHART XIV) in which a relatively small area of land has been studied and grouped into five classes. The first two of these classes are considered to be so poor that there is little or no chance of obtaining any return above the costs of working this land. If you will look in the last column you will see that these two classes make up about one-third of the total land in this area. The third class is land which is not very good, but on which there is an opportunity of making something above the outlays for working it. You will notice that about one-third of the land falls into this class. The fourth and fifth classes are good farm land. It would seem that men have a reasonable chance to make a living from attempting to farm these two classes of land. Nearly a third of the total area falls in these two classes.

I have some figures which show how continuing to farm poor land affects taxes, insurance rates, and interest rates. Through careful studies it was found that the school costs per pupil for a year, where farms are mainly in these first two classes, or the poor land, were \$162, while in the areas where the farms are made up mostly of the other three classes of land, the annual school costs per pupil were \$92. In addition, State aid was given and this was \$153 per pupil per year in the poor areas and only \$64 in the better areas.

The figures also show that insurance losses are higher in these poor areas. It is impossible to maintain the buildings in such good condition. Chimneys become faulty and fire losses are relatively common. Thus, insurance rates are raised for everyone, due to the farms located on poor soils.

7/ Many men have contributed, through their research work and in other ways, to the program indicated in this section. A few of the many who should be mentioned are: Richard T. Ely of Northwestern University; H. C. Taylor, International Institute of Agriculture, Rome; L. C. Gray, Acting Director, Division of Rural Land Planning and Development, A.A.A.; G. F. Warren, Cornell University; John D. Black, Harvard University; George S. Wehrwein, University of Wisconsin; I. G. Davis, Connecticut State College, and several men from Michigan State College.

LAND IN 5 CLASSES, TOMPKINS COUNTY, N.Y., 1930

LAND CLASSES	ACRES	PERCENT
I	41,736	13.6
II	64,326	21.0
III	103,603	33.7
IV	88,863	29.0
V	8,288	2.7
TOTAL	306,816	100.0

The figures on the losses on money loaned are important. Careful study has shown that on the two poor classes of land, 14 percent of all money loaned was lost by the lender, while on farms on the three better classes of land only one-half of one percent was lost. All costs of doing business appear to be increased through operating these poorer classes of land.

But there is another point that some of us feel is still more important. There have been studies made in this same State which indicate that in areas where much of the farm land might be compared to Class III, it takes a young man 19 years of his life to pay for a farm. These studies show that when farms are located on classes of land which are comparable to these two better classes, it also takes 19 years for a young man to own his farm. But the point is this: In the first case, the very heart of a young man's business life is spent in attaining a poor piece of property. The figures indicate that the average farm is worth around \$2,000. Nineteen years of hard work for \$2,000. While on these better classes of land, 19 years of hard work means the ownership of a farm worth ten to twelve thousand dollars, a farm which holds a possibility of a reasonable living for the farmer and his family.

There is a tremendous amount of human labor wasted because of attempts to farm where there should be no farming operations. A man does not benefit himself nor society by trying to operate this poor land. In many cases this land would be much more useful if it were in the hands of the State or the Nation. Then the forestry, recreational, watershed, and many other values could be obtained. And so, Mr. Leader, I make a plea that during this period while you are facing our many national problems, you consider that of developing an intelligent land planning and use for the United States. I have said that we do not look upon it as having a very great immediate effect, but we do feel it will be tremendously important in the welfare of our people in the years to come. Thank you very much, I appreciate the opportunity of showing you this problem. Good day.

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V.

And now I appear before you as the last expert. I say: Mr. Leader, I am not sure what can be done, but I do know a serious problem exists and it should be brought to your attention.

There is the problem of doing something for the unemployed in cities and we are all in agreement that these people should receive help. They are usually the victims of circumstances over which they have no control. But if we are to take care of them, we must also take care of

the people in the country, who are now in dire need. We do not know exactly, but our belief, based on careful estimate, is that there are a million farm families who are in actual want. I will not take your time to go over the reasons why these people are in want. You are familiar with the closing of small factories in villages, the reduction in prices, the lessening of demand for agricultural products, the return of many boys from the cities and villages to the farm with little chance for gainful employment, and numerous other factors. The result is that there are large numbers of people in real want in farming areas, and the Government should recognize the needs of these people as clearly as it recognizes the needs of the industrial worker who is unemployed in the city. Mr. Leader, please keep this in mind and see if something can't be done. Thank you, good day.

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Summary

All of you have recognized the different agricultural programs as the reasoning back of them has been presented. They were mentioned in the following order: The program to increase prices through changing the currency price of gold, adjustment of agricultural production, farm credit, land planning, and rural rehabilitation. I hope that this has given you a better idea of the facts back of these programs and the reasons why they have come into existence.

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